

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-05 L-01

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 EB-04 COME-00 TRSE-00 FEA-01 OES-02 AGR-05

TAR-01 CIEP-01 FRB-01 DRC-01 /070 W

----- 012458

R 062211Z NOV 74

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 4924

INFO AMCONSUL CALGARY

AMCONSUL HALIFAX

AMCONSUL MONTREAL

AMCONSUL QUEBEC

AMCONSUL ST JOHNS

AMCONSUL TORONTO

AMCONSUL VANCOUVER

AMCONSUL WINNIPEG

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E.O. 11652: N/A

TAGS: EFIN, CA

SUBJ: BUDGET TO BE PRESENTED NOVEMBER 18

BEGIN UNCLASSIFIED

1. ON NOVEMBER 4 FINMIN TURNER ANNOUNCED IN PARLIAMENT THAT  
FEDERAL BUDGET WILL BE INTRODUCED ON NOVEMBER 18. PRESS  
SPECULATION IS THAT BUDGET WILL BE ESSENTIALLY SAME AS  
THAT IN MAY WHEN DEFEAT OF BUDGET PRECIPITATED GENERAL  
ELECTIONS. MAJOR CHANGES MAY BE IN HOUSING PROGRAMS SINCE  
HOUSING CONSTRUCTION IN SERIOUS SLUMP.

2. MINFIN TURNER HAS STATED PUBLICLY SEVERAL TIMES THAT  
FEDERAL SPENDING WOULD BE MODERATED, BUT AT LAST WEEK'S  
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"MINI-SUMMIT" OF PM TRUDEAU WITH PROVINCIAL PREMIERS, ONLY

DECREASE MENTIONED WAS IN CAPITAL CONSTRUCTION PROJECTS SUCH AS POST OFFICES AND OTHER OFFICE BUILDINGS.

3. TURNER HAS HELD SERIES OF MEETINGS OVER ONE OF MOST CONTENTIOUS ITEMS IN MAY BUDGET; I.E., PROPOSAL TO NOT ALLOW MINING AND PETROLEUM COMPANIES TO DEDUCT PROVINCIAL ROYALTIES IN COMPUTING FEDERAL INCOME TAXES. THERE IS NO INDICATION THAT FEDERAL GOVERNMENT INTENDS BACK AWAY FROM THIS PROPOSAL ALTHOUGH TURNER HAS GIVEN HINTS THAT SOME ACCOMMODATION COULD BE REACHED WITH PROVINCES.

4. OTHER ITEMS FROM MAY BUDGET WHICH MAY REMAIN IN NOVEMBER PRESENTATION:

A. FIRST \$1,000 OF INTEREST INCOME TO BE TAX EXEMPT.

B. TAX-FREE SAVINGS PLAN FOR MONEY SET ASIDE FOR FIRST-TIME HOUSING PURCHASES.

C. INCREASE OF DUTY-FREE LIMITS FOR TOURISTS RETURNING FROM ABROAD.

D. INCREASED TAXES ON TOBACCO AND ALCOHOL.

E. INCREASED CORPORATE TAXES ON SERVICES INDUSTRIES.

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5. ALTHOUGH TURNER AND OTHER GOC OFFICIALS ARE CONCERNED ABOUT INFLATION AND SLOWING ECONOMIC GROWTH RATE IN CANADA, THEY HAVE SEVERAL TIMES SPOKEN OF FEDERAL GOVERNMENT'S POLICY NOT TO USE DRACONIAN MEASURES TO FIGHT INFLATION. THUS, NEW BUDGET WILL PROBABLY BE SOMEWHAT LESS EXPANSIONARY THAN ONE IN MAY (EXCEPT FOR NEW HOUSING INCENTIVES) BUT WILL PROBABLY CONTAIN MOST OF MAY BUDGET PROPOSALS.

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6. PETER COOK OF FINANCIAL TIMES REPORTED ON NOV 4 THAT PM TRUDEAU MET PRIVATELY LAST WEEK WITH GERALD BOUEY, BANK OF CANADA GOVERNOR, TO DISCUSS MONETARY POLICY. ACCORDING TO COOK, "TRUDEAU WANTED A BRIEFING ON MONETARY POLICY AHEAD OF HIS TALKS WITH THE PREMIES LAST WEDNESDAY, BUT HE ALSO WANTED TO SATISFY HIMSELF THAT THE BANK'S POLICY IS NOT BEING UNDULY RESTRICTIVE." COOK MAINTAINS THAT TRUDEAU AND MINFIN

TURNER WERE ABLE TO TELL THE PREMIERS THAT "A GREATER SHARE OF THE FIGHT AGAINST INFLATION CAN BE TAKEN UP THROUGH RESTRAINTS ON GOVERNMENT SPENDING." COOK CONCLUDES THAT "CANADIAN POLICIES FOR 1975 WILL AIM AT A TOUGHER FISCAL POLICY AND AMILDLY EXPANSIONARY MONETARY POLICY."

7. BUDGET IS ONE OF MOST CLOSELY GUARDED SECRETS IN GOC, AND OFFICIALS ARE GENERALLY UNWILLING TO COMMENT ON SPECIFICS EVEN IN GUARDED TERMS. EMBOFF DID ASK KNOWLEDGEABLE BANK OF CANADA OFFICIAL IF HE BELIEVED BUDGET WOULD CONTAIN CONTROVERSIAL REVENUE PROPOSAL ON TAXING OF RESOURCE INDUSTRIES. OFFICIAL ANSWERED AFFIRMATIVELY BUT ADDED THAT "SPARRING IS STILL GOING ON" AND TURNER MAY YET FIND WAY TO OBTAIN ADDITIONAL REVENUES FROM THESE SOURCES WHILE ALLOWING PROVINCES TO KEEP THEIR INCREASED TAXES ON MINERAL INDUTRIES. PORTER

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## Message Attributes

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